



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
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OFFICE OF
SOLID WASTE AND EMERGENCY
RESPONSE

MEMORANDUM

SUBJECT: Block Funding Administrative Reform

FROM: Stephen D. Luftig, Director
Office of Emergency and Remedial Response

TO: Director, Office of Site Remediation and Restoration
Region I
Director, Emergency and Remedial Response Division
Region II
Director, Hazardous Waste Management Division
Regions IX
Director, Waste Management Division
Region IV
Director, Superfund Division
Regions III, V, VI, VII
Assistant Regional Administrator, Office of Ecosystems
Protection and Remediation
Region VIII
Director, Office of Environmental Cleanup
Region X

PURPOSE

The purpose of this memorandum is to transmit the Block Funding Report in order to advance the implementation of this Administrative Reform.

BACKGROUND

For several years EPA has been reforming the Superfund program to make it work faster, fairer, and more efficiently. While EPA has been working with Congress to make legislative changes, it also has fundamentally changed the program by implementing a series of far-reaching reforms. These changes are improving the functioning of a program that addresses thousands of abandoned sites throughout the country. Increasing State and Tribal involvement in the Superfund program using block funding mechanisms was one such reform identified. In March 1995, EPA's Office of Emergency and Remedial Response (OERR) formed the Superfund Block Funding Workgroup to explore ways in which States and Tribes could realize greater flexibility in their use of Superfund cooperative agreement resources.

The attached report is intended to be a resource for EPA Regions, States, and Tribes as they work to achieve their goals of enhancing State and Tribal involvement in Superfund through improved administration of assistance agreements. The report identifies options for enhancing the current process for awarding and administering Superfund cooperative agreements that have been piloted by some States and Regions.

OBJECTIVE

OERR is encouraging our Regional Offices to consider the benefits of fully implementing this Administrative Reform. Implementing this reform provides an excellent opportunity to enhance State and Tribal involvement in Superfund and to reduce the administrative burden on both levels of government. If you have any questions please call Ken Fisher at 703-603-8764.

Attachment:

Block Funding Report

cc: Charlie Young, OCFO, OC, FMD
Gary Katz, Director, OARM, OGD, GAD
Barry Breen, Director, OSRE, OECA
Thomas Kennedy, ASTSWMO
Bill Ross
Steve Caldwell
Robin Richardson

BLOCK FUNDING

ENHANCING STATE AND TRIBAL INVOLVEMENT IN SUPERFUND THROUGH
IMPROVED ADMINISTRATION OF ASSISTANCE AGREEMENTS

OCTOBER 1997

BLOCK FUNDING REPORT
Awarding and Administering Superfund Cooperative Agreements

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BLOCK FUNDING REPORT

I. EXECUTIVE SUMMARY

The future direction of Superfund will stress an enhanced role for States and Tribes. The Administrator places a high priority on State and Tribal empowerment as is evidenced in the National Environmental Performance Partnership System (NEPPS) agreement that calls for “states to serve as the primary front-line delivery agent.” Several Superfund Administrative Reforms exemplify the Agency’s commitment to improve State involvement in the Superfund program, block funding being one such reform.

The current process of awarding and administering cooperative agreements (CA) to States and Tribes is restrictive and time consuming both for the recipients and the Agency due to regulatory and budgetary impediments. This report evaluates several options to improve the process of awarding and administering Superfund resources to States and Tribes under one block funding agreement.

Regulations developed early in the Superfund program tended to be broad in scope and prescriptive in nature in order to ensure national consistency in a developing program. As State participation in Superfund activities increased, and a history of program implementation developed, Regions and States found that some of the regulations were unnecessary and as a result are now seeking deviation from those regulations that are onerous to both levels of government. In terms of budget administration, EPA is restricted on the transfer of funds among activities as categorized in the Agency’s Advice of Allowances (AOA). These restrictions on transfer of funds between AOA activities are defined in the Agency’s budget process. This report identifies several options to make changes to the current AOA structure.

There are two principal recommendations presented in this report for enhancing the utilization of Superfund resources by States and Tribes. The first recommendation is to allow States and Tribes to direct CA funds between sites and activities to the extent allowed by the Advice of Allowance. This principal recommendation would ensure that States and Tribes have the ability to transfer funds from site and activity, within the approved tasks for the cooperative agreement, without prior EPA approval. The second recommendation is to reduce specific administrative budget and reporting requirements where appropriate. Options and recommendations for accomplishing these objectives can be found in the body of this report.

II. INTRODUCTION: CONTEXT AND OVERVIEW

For several years EPA has been reforming the Superfund program to make it work faster, fairer, and more efficiently. While EPA has been working with Congress to make legislative changes, it also has fundamentally changed the program by implementing a series of far-reaching

reforms. These changes are improving the functioning of a program that addresses thousands of abandoned sites throughout the country. Increasing State and Tribal involvement in the Superfund program using block funding mechanisms was one such reform identified. In March 1995, EPA's Office of Emergency and Remedial Response (OERR) formed the Superfund Block Funding Workgroup to explore ways in which States and Tribes could realize greater flexibility in their use of Superfund cooperative agreement (CA) resources.

Currently EPA enters into several types of site and non-site-specific CAs with States and Tribes to implement the Superfund program including: Removal, Pre-Remedial, Remedial, Enforcement, Support Agency, and Core Program. While each type of CA is intended to fulfill a unique purpose, the award and administrative requirements of multiple CAs can limit the flexibility and discretion of EPA Regions, States, and Tribes in addressing highest priority needs expeditiously.

This report is intended as a resource for EPA Regions, States, and Tribes as they work to achieve their goals of increasing flexibility and effectiveness as well as providing options and recommendations for senior managers to consider for accomplishing these goals. It identifies options for enhancing the current process for awarding and administering Superfund CAs.

Specifically, this report describes:

- N The current CA process;
- N Options for improving the current process; and
- N Recommendations.

The term "block funding", as used in this report, loosely refers to a variety of mechanisms by which EPA could award resources to States or Tribes to perform with increased flexibility multiple activities under one funding agreement.

III. CURRENT FRAMEWORK AND ISSUES

Two key issues arise from the current processes by which Superfund CAs are awarded and funded:

- N States and Tribes are limited in their ability to transfer CA funds between sites and activities to address their highest priority needs most effectively.
- N Regions are restricted by budget categories and processes, as well as by CA award processes, in their discretion to shift resources to meet State and Tribal needs.

This section addresses the statutory and regulatory framework for these processes and describes how Regions and States are impacted by current CA funding procedures.

III. A. REGULATORY FRAMEWORK

CERCLA, as amended by SARA, provides the statutory context for how EPA administers the Superfund program, and specifically for how EPA has developed regulations and policies for awarding and administering CAs. CERCLA §104 provides that EPA and States must enter into a CA or Superfund State Contract (SSC) and share costs for the Agency to undertake remedial actions at a site. Regulations established by EPA and the Office of Management and Budget (OMB) determine how these CAs can be awarded and administered. Two EPA regulations governing State and Tribal Superfund CAs are described below.

- N 40 CFR Part 31**, Uniform Administration Requirements for Grants and Cooperative Agreements to State and Local Governments (October 1988), establishes consistent and uniform administrative requirements for CAs. This regulation implements OMB Circular A-102, “Grants and Cooperative Agreements with State and Local Governments” and references OMB Circular A-87, “Cost Principles for State and Local Governments.” CA recipients are required under Part 31 to track expenses according to object class, which are categories of goods and services (e.g., personnel compensation, supplies, and travel) within the budget. Section 31.30(c)(ii) requires EPA’s prior written approval when cumulative transfers among direct cost categories exceed or are expected to exceed 10 percent of the current total approved budget for an activity. In addition, §§31.30(d)(1) and (4) require EPA’s prior written approval for any changes in the scope of work (SOW) or project objective, as well as for allowing a third party to perform SOW tasks.

- N 40 CFR Part 35, Subpart O**, Cooperative Agreements and Superfund State Contracts for Superfund Response Actions (June 5, 1990), establishes administrative requirements for recipients of CERCLA-funded CAs. Subpart O contains CERCLA-specific requirements not addressed in Part 31, and modifies Part 31 requirements that do not meet the minimum standards necessary for cost recovery under CERCLA §107. Subpart O outlines the financial administration, personal property, real property, copyright, procurement, records and reporting, and other administrative requirements for six types of CAs: Pre-Remedial, Remedial, Enforcement, Removal, Core Program, and Support Agency.

The requirements that have proven to be most limiting are found in Section 31.30. Section 31.30(c)(ii) requires EPA’s prior written approval when cumulative transfers among direct cost categories exceed or are expected to exceed 10 percent of the current total approved budget for an activity. §§31.30(d)(1) and (4) require EPA’s prior written approval for any changes in the scope of work (SOW) or project objective, as well as for allowing a third party to perform SOW tasks. Subpart O provisions require that States and Tribes submit separate budgets and project narratives for each CA type.

These regulations place additional administrative burdens upon States and Regions and restrict a State's ability to transfer funds to meet their needs without time consuming amendments. Several Regions have requested deviations from these regulations, as provided under Part 31.6, Additions and Exceptions, and Part 35.6025, Deviations from this Subpart. This report details these requests in section IV.A.4, "Cooperative Agreement Process Options."

III. B. COOPERATIVE AGREEMENT FUNDING PROCESS

EPA Regions fund CAs with States and Tribes through Advices of Allowance (AOAs), which provide the authority to commit, obligate, and expend funds. Each fiscal quarter, funds pass from Headquarters to Regions according to AOAs, which are based on Phase III Operating Plan projected obligations for each quarter.

Regions must pay strict attention to their use of AOAs in order to maintain existing funding levels. If a Region has funds in its AOA that it did not obligate during the quarter received, the planned obligation data in CERCLIS must be changed or the amount must be placed in the contingency account. At the end of each quarter, Headquarters reviews the AOA funds' remaining commitments and obligations, the planned obligation data, and the contingency account. If AOA funds were not committed or obligated and the planned obligation data were not changed, Headquarters will either reduce the next quarter's AOA by the amount that was not committed or obligated, or request that Regions return funds to Headquarters.

Five AOAs¹ allocate resources to States and Tribes for specific activities:

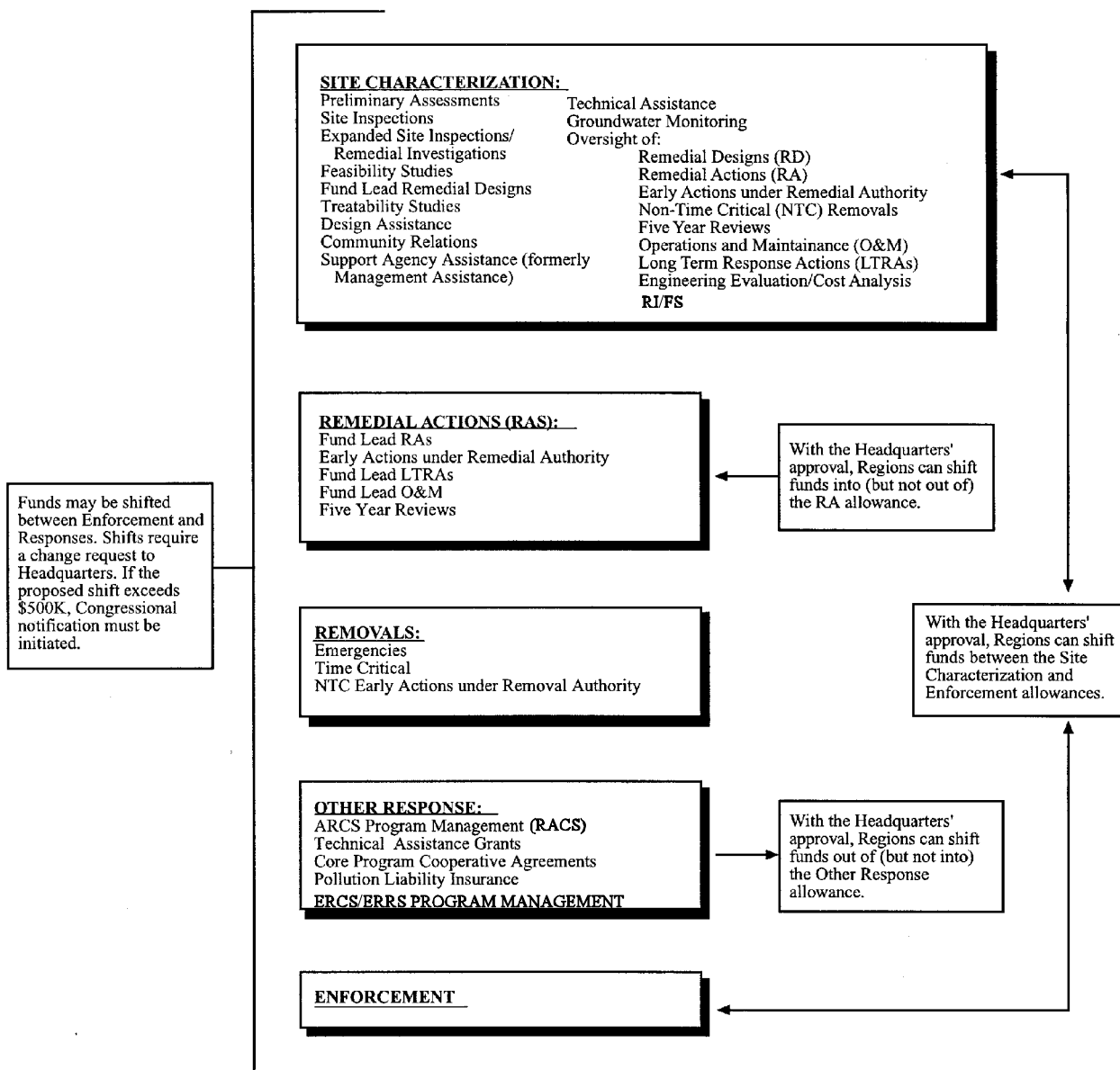
- N** Site Characterization
- N** Remedial Actions
- N** Removals
- N** Other Response
- N** Enforcement.

Each AOA fund designates site-specific and non-site-specific activities (See Exhibit 1).

¹Funds from the sixth AOA, Federal Facilities, are not provided to States and Tribes.

Exhibit 1 Advice of Allowance (AOA) Flexibility

EPA uses the following allowances to fund Superfund activities.
The arrows represent transfer of funds between separate allowances.



In response to changing workloads and site conditions during any given fiscal year, Regions often need to shift funds between sites and activities. According to EPA policy, Regions may move resources:

- N** **Within** the Site Characterization, Removals, Other Response, or Enforcement AOAs **without** EPA Headquarter's approval;
- N** From the Site Characterization, Enforcement, and Other Response AOA to any other AOA (except to the Other Response AOA, which cannot be augmented) **with** EPA Headquarters approval (funds cannot be shifted into or out of the Federal Facility allowance);
- N** Between projects **within** the Other Response, Site Characterization, Removal, Enforcement, or Federal Facility allowance does not require HQ approval or a change request, but CERCLIS must be revised to reflect the shift. Allowable shifts **between** allowances require HQ approval of a change request.

Nationally, funds may also be reprogrammed between Response and Enforcement for amounts under \$500,000 and under limited circumstances. However, Regions may **not** move resources:

- N** **From** the Remedial Actions (RA) or Removals AOAs **to** other AOAs; and
- N** **To** the Other Response AOA **from** any other AOA.

These restrictions limit the Regions ability to make block awards to States or Tribes and also limit pre- or post-award adjustments to CA budgets. For example, Regions are unable to transfer funds from pre-remedial CAs to Core Program CAs, or to transfer funds from one site to another under site-specific CAs. Each type of CA is funded with a specific category of money (AOA) that cannot be commingled and that requires separate awarding and tracking.

Furthermore, funds obligated under an AOA for a given fiscal year cannot be shifted to the ensuing fiscal year without recertification (Headquarters must redirect the funds' allocation and the CA award official must process a CA amendment to recertify a CA budget).

States and Regions often resort to amending a CA through a formal CA amendment process. Though procedures vary among Regions, this process is often long and cumbersome, generally taking from 30 to 120 days to complete and requiring multiple layers of approval. Further delays in this process can occur when Regions wait to accumulate and then process multiple CA amendment requests in order to consolidate administrative resources. Several States and Regions have expressed concerns about the current CA amendment process. States have expressed the concern that they have depleted their CA funds by the time an amendment is approved, thereby requiring them to find alternate temporary funding sources. Such funds are

scarce; accordingly States desire to identify ways to reduce the need for formal CA amendments that require them to expend additional resources to identify and manage stopgap funding.

For somewhat greater flexibility, several Regions use Multi-Site CAs (MSCAs) with their States and Tribes, which are broader in scope than traditional site-specific CAs. Through one lump award, a MSCA can fund activities at multiple sites for site assessment, RI/FS, remedial design, and Support Agency activities. Combining these budgets and projects in an MSCA provides greater ability to use funds according to highest priorities. However, States and Tribes still must formally amend the CA when they transfer funds from one site activity to another. Thus, while a degree of flexibility has been added in the initial CA award, the ability to shift funds post-award to accommodate changing State and Tribal needs remains limited, except through the CA amendment process.

The funding restrictions experienced by the Regions, States, and Tribes are attributed to the CA award and management process established in Federal Regulations, which restrict fund movement by site and activity, and to the Superfund AOA budget structures, which restrict movement of funds within Superfund's budget categories. Options to improve Regional, State, and Tribal funding utilization to more effectively respond to changing site conditions and programmatic responsibilities are centered in the CA award and management process and the Superfund budget structure. The following section describes several of these options, with a discussion of their potential advantages and disadvantages.

IV. OPPORTUNITIES FOR IMPROVEMENT

This section describes opportunities for changing the current CA and budget administration processes to improve State, Tribal and Regional program implementation. Some opportunities exist within the CA award framework, while others would require changes in the Superfund budget process.

IV. A. COOPERATIVE AGREEMENT PROCESS OPTIONS

This section identifies strategies some Regions are implementing within the current CA award and administration process:

- N** Integrating the Core CA into an existing MSCA; and
- N** Obligating CAs generically and disbursing CAs site-specifically.

These two options uphold cost recovery requirements as authorized by CERCLA, by accounting for expenditures by site and activity. Because EPA must facilitate the recovery of response costs, regulations have been promulgated requiring Regions, States, and Tribes to meet strict cost documentation standards. In practice, this means accounting for actual costs by site and activity, regardless of how Regions obligate CAs.

IV.A.1. Integrating the Core Program CA into an Existing MSCA

A pilot in Region 6 added a Core Program CA to an existing MSCA, and renamed this CA a Multi-Project CA (MPCA). Functioning in a manner similar to a Support Agency CA, the MPCA obligates funding by activity specific account numbers for the following activities:

- N Site assessment; and
- N RI/FS and RD; and
- N Management assistance, for which a 10 or 50 percent State match is required.

Recipients of MPCAs draw down funds and maintain accounting information by site, activity, and operable unit to satisfy cost documentation requirements. Therefore, the MPCA application includes a budget breakdown by site when funds are awarded on a site-specific basis. Budgets are combined whenever possible to make rebudgeting less onerous. The Region 6 MPCA obligates funding by separate account numbers (PA/SI, RI/FS, RD, Core Program, and Support Agency) and disburses by site/account number. Each cost center and corresponding object class code have separate budgets and SOWs. Under current regulations, up to 10 percent of the award funds can be transferred without Agency approval.

IV.A.2. Obligating CAs Generically and Disbursing CAs Site-Specifically

Several Regions have opted to obligate a combination of Core Program, Pre-Remedial, and/or Support Agency CAs together under a lump award using generic site and/or activity accounting codes. The Site Spill Identification Number (SSID) is used to record all site-specific transactions, activities, and movement of Superfund dollars in EPA's financial tracking systems.

The use of generic site identification codes enables EPA to account for costs associated with Superfund site-specific work where no SSID has been established. Costs recorded with generic site identification codes represent the initial assessment costs at a Superfund site. Only those costs associated with the initial assessment of a Superfund site are disbursed using the generic SSID; all other site specific activities are disbursed to site specific identification numbers.

The advantage of using generic site and activity accounting codes is that it allows Regions to obligate resources for multiple sites or activities under one account number, and then disburse those resources to other account numbers.

Site-specific costs must eventually be disbursed using site-specific SSID numbers. This shifting of resources from the generic SSID to other SSIDs requires a series of deobligation and reobligation actions. Although Regions are prohibited from disbursing funds generically, States and Tribes can transfer obligated funds among activities as necessary within the confines of 40 CFR 31.30 without a formal amendment. Regions monitor the site and activity specific use of funds through quarterly progress reports, drawdowns, and financial status reports.

The advantage of using the generic site and activity accounting codes is that multiple sites and both site and non-site-specific activities can be obligated through just one account. It allows for more comprehensive generic obligation, since a wider range of activities may be included in the block obligation of resources. While awards are obligated generically, disbursements continue to be tracked site-specifically, thus fulfilling cost recovery tracking requirements.

A drawback to obligating generically and then disbursing site specifically is that each disbursement from the generic SSID to other SSIDs requires a deobligation and reobligation. The use of the generic obligations inhibits EPA's ability to accurately report real time obligations, though not actual disbursements. Combining cost share and non-cost share CAs adds to the complexity of budgeting and accounting for site-specific and non-site-specific expenditures. To eliminate the potential for confusion, some Regions have limited the extent to which they mix Core Program and multiple RA Support Agency CAs.

IV.A.3. Obligating and Disbursing CAs Generically

This proposal would advance the generic obligation concept a step further by including generic disbursement for all Superfund activities, except for removals or RAs, by both obligating and disbursing funds generically. Activities covered by this option would include:

- N Site assessment;
- N Core Program;
- N State-lead RI/FS;
- N State-lead RD;
- N PRP oversight; and
- N Federal and PRP lead support activities.

Under this option, a Region would obligate and disburse funds under one generic account number. As proposed, the Region would only be required to approve one disbursement rather than many and a State would notify the EPA award official when funds are transferred among projects, and then would report on expenditures after they occur. State reporting of disbursements could be required to IFMS, through regional or headquarters offices, or in an end of the fiscal quarter report. States would track disbursements by separate account numbers in the State accounting system for each site, activity, and operable unit to facilitate cost recovery as is currently required in 40 CFR Part 35, subpart O. States would be required to provide internal accounting documentation for all costs. Cost recovery would not be impacted by implementing this option.

A distinct advantage of this option is that it promotes maximum flexibility for States to shift funds between projects, within the limits specified in the funding agreement, without formal amendments. This would allow recipients to focus more on completing activities, rather than on

what categories and funding processes must be used. This option eliminates the need to process amendments to multiple CAs throughout the year, and allows States to most easily address changing site and program needs. This option also reduces the number of times expenditures must be approved by the Agency; another resource savings feature for this option.

EPA is currently relying on State financial systems to provide site-specific expenditure information for cost recovery. In addition to cost recovery the Agency is often asked to report on how money was spent. Real time site-specific obligations or disbursements data would not be available as Regions would generically disburse to States based on Assistance Agreements. EPA could specify reporting requirements for States to follow in the Agreement. For example, States could be **required** (in the terms of the agreement) to electronically report site specific expenditures at specified intervals or upon request. This reporting could take place electronically by the States directly to EPA databases (Minnesota/Region 5 CERCLIS data entry pilot) or to regional or headquarters financial offices. Reporting could be required at the time of disbursements by the States or periodically throughout the fiscal year. Some Regions indicate that this option would more accurately reflect obligations and disbursements than the current system that reports on obligations to activities that may not be performed when funds are deobligated, reobligated, and disbursed to different activities. Region 5 has proposed generic obligations and disbursements for a pilot CA with the State of Illinois. The Office of the Comptroller declined to support the Region in their request to pursue generic disbursements at this time. This funding option can occur only with the consent and endorsement of the Comptroller's Office.

IV.A.4. Implementing Opportunities Within Current CA Process

Regions and States are concerned about the risk of losing funds in the process of deobligating and reprogramming existing CAs to create new block CAs. To create a new block CA, Regions deobligate unused funds from existing CAs. These deobligations are returned to Headquarters, where they are reprogrammed based on national needs. Thus, reprogrammed funds are not necessarily returned to the original Region and may be reprogrammed into a completely different CA for another Region. Therefore, a Region wishing to deobligate funds from an existing CA for reobligation to a new block CA risked losing the funds altogether.

In order to ensure that the benefits derived from block funding are realized, and to reduce administrative disruptions to ongoing projects, guidance has been developed to allow for transfers from existing Cooperative Agreements to Block Funding Agreements if the funds are recertified to the same party. The guidance allows for the transfer with no direct reference with national funding priorities (see attached FY1997 Superfund Deobligation Guidance).

Some Regions have requested deviations under certain sections of 40 CFR Part 31 and Part 35 Subpart O to enhance the current cooperative agreement process. Regions have received deviations from:

- N Section 31.30(c)(ii), to allow cumulative transfers among direct cost categories that exceed or are expected to exceed 10 percent of the current total approved budget for an activity;
- N Sections 31.30(d)(1) and (4), to allow without formal amendment:
 - Revising or adding tasks within the scope or objectives of the project as identified within the statement of work; and
 - Contracting out, subgranting, or otherwise obtaining services of a third party to perform activities central to the purposes of the award.
- N Sections 35.6055(a)(1), 35.6230(b), and 35.6250(a), to allow States and Tribes to submit only one budget for an entire block CA;
- N Section 35.6235, to remove State cost share requirements for Core Program CAs; and
- N Sections 35.6650(b)(2), (3), and (4), to revise information requirements of progress reports submitted by States/Tribes.

While aspects of these regulations are somewhat ambiguous, giving rise to questions as to whether such deviations are necessary, Headquarters has determined that obtaining waivers is the most appropriate course of action for Regions wishing to implement some variations of flexible funding. States and Tribes may obtain such waivers at the discretion of EPA's Grants Administration Division.

IV.B. OPTIONS TO ENHANCE THE BUDGET STRUCTURE

Workgroup members have identified three options for restructuring the Superfund budget process in order to improve Superfund funding for States and Tribes. These include:

- N Combining multiple AOAs into a single AOA to Regions that would permit them to more freely disburse funds to States according to changing workload and site conditions;
- N Creating a separate State/Tribal AOA with flexible features; and
- N Integrating Superfund CAs into Performance Partnership Grants (PPG) to maximize State flexibility in all EPA programs.

These alternatives are described below.

IV.B.1. Single AOA to a Region

Several Regions proposed the option to develop a single Superfund Response AOA that the Regions would use for all obligations including obligations to States and Tribes. Regions supporting this concept suggest it provides necessary flexibility to shift funds among State/Tribal CAs, especially when resources are limited. For example, Regions could shift funds among obligations to different States and activities, should one State's needs unexpectedly change. As with other flexible funding scenarios, the reporting of site and activity obligations could change based on regional re-direction of funds after the original obligations.

IV.B.2. Separate State/Tribal AOA

A related option is to create a separate AOA to account for State or Tribal Superfund financial assistance. This option would allow for all Superfund activities implemented by a State or Tribe to be funded from one AOA, making tracking of total Superfund resources awarded to States easier as well as providing for maximum flexibility to States and Tribes to move funds to sites and activities where needed.

Some Regions support this concept while others felt that creating a new AOA could further limit a Regions funding flexibility. In order not to place an additional restriction on Regional funding prerogatives this new state AOA would have to be developed as to allow Regions to transfer funds into and out of it at the Regions direction without any new restrictions.

IV.B.3. Integration of PPGs and Superfund CAs

Several workgroup members proposed that in the collaborative partnership spirit advanced in the National Environmental Performance Partnership System (NEPPS), as endorsed and promoted by both States and the USEPA to foster excellence in State and federal environmental programs, it may be appropriate to include Superfund CAs with Performance Partnership Grants (PPGs). PPGs provide States and tribes with the option of combining two or more categorical grants into a multi-program grant that does not require tracking funding back to individual programs. PPG grant funds can be focused on a work program and measures of performance that further the goals and objectives developed through joint State-EPA planning and priority-setting process.

PPGs are multi-program grants awarded to a State or Tribe from funds allocated from 16 categorical grants. Programs eligible for PPG funding include: air and water pollution control, non-point source management, public water system supervision, underground water source protection, hazardous waste management and underground storage tank (under the Resource Conservation and Recovery Act), and Tribal capacity building. The goal of PPGs is to improve

environmental performance by creating incentives and reducing administrative burdens and costs.

Under this proposal PPGs would include Superfund dollars combined with a mixture of dollars from EPA's "State and Tribal Assistance Grants" appropriation. States and Tribes would then use the PPG to address Superfund sites, as well as the variety of environmental priorities as developed through joint State-EPA planning and priority-setting process.

With this option Superfund dollars could be used to address non-CERCLA program activities. CERCLA does not authorize expenditures from the Trust Fund for many of the broad array of activities included within PPGs. Congressional approval of this option would be required. Superfund cost recovery requirements would be maintained. EPA would be unable to report its Superfund obligations at a site and activity level of detail although reporting on disbursements could be available.

As with other categorical grant programs that are included in PPGs, Regional and State Superfund program managers are concerned about the potential for Superfund funding being directed toward other environmental program activities. Although some have noted that the reverse could happen as well, that Superfund activities could be funded from one of the other categorical grants based on environmental priorities. Because allocation of PPG funds would be left to States' and Tribes' discretion, EPA would be unable to ensure that Superfund dollars included in a PPG award are consistently allocated to priority Superfund projects.

V. RECOMMENDATIONS

There are two principal recommendations that have emanated from the block funding workgroup deliberations on enhancing the utilization of Superfund resources by States and Tribes. The first recommendation is to allow States and Tribes to direct CA funds between sites and activities to the extent allowed by the Advice of Allowance. To implement this option deviations from 40 CFR Part 31 are recommended to allow CA recipients (without EPA's prior written approval) to make transfers among direct cost categories that exceed or are expected to exceed 10 percent of the current total approved budget for an activity and to make changes in the scope of work (SOW) or project objective. Appropriate EPA oversight is maintained as approval would still be required for recipients to perform new tasks or to delete tasks from any approved scope of work. Allowing Regions to obligate and disburse CAs generically would facilitate block funding implementation. Ensuring that States and Tribes have the ability to transfer funds from site and activity, within the approved tasks for the cooperative agreement, without a lengthy amendment process is essential to improve the current Superfund cooperative agreement process. The need to process amendments to multiple CAs would be significantly reduced and States would be allowed to easily address changing site and program needs. The Office of the Comptroller has expressed concerns that EPA may be unable to report real time site-specific obligations or disbursements. Allowing cooperative agreement recipients to support new CERCLA allowed activities with unexpended funds would be a feature that would further enhance this option.

Deviations from 40 CFR Part 31 allowed the State of Illinois, under their Block Funding Pilot, to cut at least three months out of the remedial process for one Superfund site and insured that construction would not be delayed into the next construction season.

The second recommendation is to reduce administrative paper work by reducing budget and reporting requirements where appropriate. To accomplish this deviations from parts of 40 CFR Part 35 are required which would allow recipients to submit one budget for the entire Block Cooperative Agreement and to report semiannually (or annually) rather than quarterly, as is now required. The State of Illinois is reporting an 85% drop in the preparation and processing of fiscal paperwork due to regulatory deviations that they received under their Block Funding Pilot.

Past these two recommendations lay the prospect of providing grants to States and Tribes to perform Superfund activities that precede actual remedial action (RA) construction. A pre-RA Superfund grant would support the States and Tribes ability to address changing program requirements for all Superfund pre-remedial action construction activities while significantly reducing paperwork and administrative burdens on both levels of government.

In order to ensure that the benefits derived from these recommended improvements are realized it is recommended that the State, Tribal, and Identification Center, OERR, develop and execute a block funding implementation plan that will include:

- Block Funding Report dissemination to Regions and States.
- Preparation of Class Deviations from parts of 40 CFR Part 31 and parts of 40 CFR Part 35.
- Ensure that FY 1997 Deobligation Guidance procedures developed to allow Regions to shift funds from existing CAs to a new block funding CAs will be available permanently.
- Elevated discussions between OERR and the Office of the Comptroller advocating the allowance of generic disbursements.
- Monitoring, evaluation, and refinement of implementation.